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INDUSTRIAL DEVELOPMENT COOPERATION AND CONSULTATIONS
(INCLUDING IMPLEMENTATION OF GENERAL ASSEMBLY RESOLUTION 47/153)

Industrial cooperation and Consultations

Report by the Director-General

Summary

In compliance with General Conference decision GC.5/Dec.10 which endorsed Board decisions IDB.9/Dec.9 and IDB.11/Dec.19, reports on the implementation of measures to enhance the efficiency, effectiveness and impact of industrial consultations in the light of relevant recommendations of the in-depth evaluation; also provides information on the functioning of Consultations, industrial partnerships and ECDC/TCDC as three elements within the terms of reference of the new Industrial Cooperation and Consultations Service including ECDC/TCDC, and projects a list of activities particularly the proposed consultation meetings for the biennium 1996-1997.

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Introduction

1. The Board at its ninth session (IDB.9/Dec.9) considered a report by the Director-General assessing the implementation and impact of the recommendations of the evaluation of the System of Consultations (IDB.9/14) and requested the Director-General to examine the possibility of combining the activities of Consultations and investment promotion, to synergize Consultations with other UNIDO activities, to explore modalities of increasing the participation of industrial partners in Consultations and to establish expert panels to advise on sectoral problems. A report on actions taken in that respect was submitted to the Board and the Conference in document IDB.11/11-GC.5/10, chapter XIII. The Conference at its fifth session endorsed Board decision IDB.9/Dec.9 and requested the Director-General in General Conference decision GC.5/Dec.10 to further seek ways of enhancing the efficiency, effectiveness and impact of international industrial consultations in the overall process of industrial development and cooperation. In doing so, continued regard should be paid to the recommendations of the relevant in-depth evaluation, in order to ensure that the System meets present-day needs of developing countries and that it is cost effective. Special attention should also be given to the improvement of coordination and interaction with other relevant programmes.

I. ACTIONS TAKEN TO IMPLEMENT THE RECOMMENDATIONS OF THE EVALUATION OF THE SYSTEM OF CONSULTATIONS

2. The findings and recommendations of the in-depth evaluation (ODG.8(SPEC.)) recognized that the System of Consultations is well suited to providing a major contribution to the development and formulation of UNIDO policies and programmes in selected industrial sectors and thematic areas. To increase its effectiveness, the

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in-depth evaluation, inter alia, made two main suggestions: (a) the System should become better integrated in the main activities of UNIDO by establishing closer cooperation with other in-house units; and (b) the follow-up of the results of Consultations should be pursued in a more systematic manner.

3. Both suggestions of the in-depth evaluation are in fact the two sides of the same coin, as better integration leads to better implementation. These objectives are being pursued, first and foremost, through the establishment of inter-divisional Advisory Committees (cf. IDB.9/14, para. 5). These Committees are responsible for not only initiating and monitoring preparations of Consultations but also drawing up plans of action to follow up the resultant recommendations of those Consultations - the implementation of which they also monitor and coordinate. In addition, they are required to recommend to the Director-General policy measures related to technical cooperation activities and cooperation between developing countries as they emerge from consultation meetings. Following the organizational restructuring and consequent staff changes, the composition of the Advisory Committees is being re-examined and will undergo some necessary modifications. On that occasion it may also be opportune to review, in the light of experience gained, the terms of reference of the Advisory Committees in order to make their functioning more effective.

4. As reported in document IDB.11/11-GC.5/10, paragraphs 114 to 115, special efforts have been made to ensure the participation of industrial partners at consultation meetings. At the same time, the duration of consultation meetings has been reduced from five to four days and has resulted in some cost reductions. However, the length of these meetings might have to be reconsidered in the light of expressed desire of Member States that the number of participants in them should be increased and that more time should be devoted to discussions on investment and technology promotion and other technical cooperation activities. In fact, even at present, every effort is made at the consultation meetings to identify investment promotion and technical cooperation possibilities. This effort was a feature of most Consultations held in 1992 and 1993 which yielded some positive results and will be intensified in future consultation meetings.

5. With regard to the establishment of sectoral advisory panels, the Secretariat is very keen to replicate the very encouraging and successful example of the Leather and Leather Products Industry Panel in other sectors, especially in those where a specific request has emanated from the discussions in meetings such as the Regional Consultation on the Industrial Utilization of Medicinal and Aromatic Plants in Asia and the Pacific or in sectors where there is a felt need, such as those relating to iron and steel, non-ferrous metals and petrochemicals. The matter is under active consideration and the necessary actions in this regard are expected to be finalized soon.

II. CONSULTATION ACTIVITIES WITHIN THE NEW INDUSTRIAL COOPERATION AND CONSULTATIONS SERVICE INCLUDING ECDC/TCDC

6. The Industrial Cooperation and Consultations Service (ICC) including economic and technical cooperation among developing countries (ECDC/TCDC), according to its new terms of reference, has the main responsibility of promoting industrial cooperation between institutions, countries and regions, and of identifying industrial cooperation opportunities in the priority areas of UNIDO. In order to discharge this responsibility as well as to serve the ends of its new orientation, ICC has been organized along three main interrelated functions: consultations, industrial cooperation and partnerships, and ECDC/TCDC. A brief description of each follows in the ensuing paragraphs.

7. According to the Industrial Development Board (cf. decision IDB.8/Dec.33, para. (b)), the System of Consultations constitutes a valuable framework for identifying problems associated with the industrialization of developing countries, for considering ways and means to accelerate their industrialization, and for contributing to closer economic cooperation among Member States. Every attempt has been made within the restructured UNIDO and within the new ICC to maintain this characteristic of the System of Consultations. Thus, consultations remain as a continuing process leading to the development of sectoral and thematic strategies and policies, identification of industrial opportunities and formulation of plans of action, where possible, with a regional area orientation for a more focused treatment of specific industrial problems. The refinement of the consultation process will be on the following lines. The consultations will (a) mainly focus on emerging issues of current relevance, (b) aim at agreement on concrete measures for international cooperation, and (c) address in this context how in a given sector or cross-sectoral theme the objectives of the restructured UNIDO could be achieved. Special efforts will be made to involve the main actors in the industrial development process and in particular institutions and enterprises. Sessions during consultations will be devoted to cooperation issues at the level of enterprises and institutions. The inclusion of ECDC/TCDC in the ICC Service provides additional opportunities for identifying and promoting cooperation among developing countries as part of the consultation process.

8. The second function of the ICC Service, namely industrial cooperation and partnership activities, aims at identifying and promoting specific industrial cooperation and partnership arrangements between private and public sector institutions, industry associations, chambers of commerce, Governments and selected enterprises, and the development of new project opportunities for UNIDO technical cooperation services. This function will rely, among others, on the analytical findings and shared perceptions emerging from consultation meetings, and through them the Service will attempt to identify potential partners, modalities and areas of cooperation for implementation by the different units of UNIDO. The emphasis is on direct cooperation with industry and the private sector and the fostering of industrial partnerships and strategic alliances. In this context, new and innovative forms of industrial and technological cooperation such as bilateral twinning arrangements and region-to-region cooperation are being explored. The Service will also promote partnerships at the national level to encourage the agents of technological change to interact more closely with UNIDO.

9. In the third ICC function, namely ECDC/TCDC, activities are being reoriented to include a programmatic approach on selected and focused sectors and thematic areas, with (a) much greater

emphasis on the needs of the least developed countries (LDCs) and (b) greater attention to direct contacts with existing economic and integration groupings and other similar inter-governmental and institutional mechanisms in order to build upon their approved and mandated political commitments of ECDC and regional integration. The responsibility foreseen for this function as a coordinative mechanism will place the Service in a key position to make effective proposals for the integration of ECDC/TCDC aspects into the programmes and projects of UNIDO.

10. In order to pursue the mandate of ICC through the three functions mentioned above, a certain set of activities are being developed for the 1996-1997 biennium. While the present report deals at length only with the proposed consultation meetings, brief references are made to other proposed activities during 1994-1995 and the following biennium.

11. The selection of these activities under each of the three functions is guided, inter alia, by the recommendations of the in-depth evaluation mentioned above; the priorities of developing countries as identified in previous Consultations and other meetings on industrial cooperation and ECDC/TCDC; the new industrial development priorities of UNIDO and the revised draft medium-term plan of UNIDO, 1996-2001 (IDB.13/19); informal contacts with the representatives of Member States and regional groups; discussions and coordination with other units of UNIDO; informal contacts with industrial associations; and identification of topics through UNIDO technical cooperation field activities.

A. Consultations

Consultation on the Construction Industry in the Least Developed Countries

12. The First Consultation on the Construction Industry was held at Tunis, Tunisia, in May 1993. The Consultation recommended that to meet the basic needs of the shelterless, the inadequately housed and the economically weaker sections of the population, efforts should be made to foster environment-friendly sustainable construction for housing (IDB.13/15, annex, table 1). This problem is more acutely felt in LDCs due to economic constraints that have hindered the development of the construction and building materials industries. The Consultation also recommended that shortcomings in the production of building materials to meet basic shelter needs should be redressed through increases in the production of sustainable and cost-effective building materials preferably based on industrial wastes, agricultural residues and recycled materials, and to set up a decentralized production and delivery system to manufacture these materials locally.

13. The Industrial Action Programme for the Least Developed Countries (PI/114) adopted by the General Conference in its resolution GC.4/Res.10 requested UNIDO to support industrial development policies of these countries through regional Consultations. In chapter B, "Industrial development in rural areas", the Industrial Action Programme stated that an essential component of any rural development strategy was the forward and backward linkages between industry and the rural economy within a policy framework for balanced development between the urban and rural economies. Housing and building materials production are essential elements of this strategy.

14. It is well known that the infrastructure for industrialization in many LDCs requires improvement as well as expansion. The construction industry of those countries will play a key role in this process. While external assistance and build-operate-transfer arrangements will often be needed, the need for creation of necessary local capabilities and for utilization of local raw materials cannot be over-emphasized.

15. Taking the above considerations into account, it is intended that the consultation will focus on (a) rural and urban housing needs; and (b) the upgrading of physical infrastructure for industrialization such as road and industrial building needs. The emphasis will be on improvement of design and methods of construction as well as the use of local raw materials. The main issue to be addressed will be the generation of local and institutional capabilities in this respect and the role of international cooperation including ECDC/TCDC. The consultation will also stress the measures needed for an integrated approach by the LDCs in promoting their construction capabilities.

16. The issues for discussion at the consultation will emanate from the deliberations and recommendations of two preparatory meetings, one in Africa on rural housing and one in Asia on urban housing, to better reflect the actual needs and requirements of these regions. The consultation will be co-ordinated with the United Nations Centre for Human Settlements (Habitat), especially in the light of Habitat II, expected to take place in 1996.

Consultation on improving energy efficiency in the iron and steel and aluminium industries

17. The consultation on environmental management/cleaner technologies in the metallurgical industry already approved by the Board will be convened at Puerto Ordaz, Venezuela, in July 1995. The consultation will concentrate on the iron and steel and aluminium industries, and it has the full cooperation of all regional associations of metal producers.

18. The proposed consultation will address a complementary issue, which is also relevant for the cost effectiveness and competitiveness of the industry in developing countries, viz. energy efficiency. It is well known that the extraction and production processes in the iron and steel and aluminium industries are energy-intensive. The consultation will focus, based on selected case studies, on the constraints to be overcome and measures needed for enhancing energy efficiency, including micro-electronics and computer applications and human resource development. The problems of mini-iron and steel plants will also be addressed. The objective will be to exchange experience and identify partners who can cooperate and assist in this respect.

Consultation on the telecommunications industry

19. The telecommunications industry is undergoing explosive growth and major technological changes world-wide. This industry, the global trade in which amounts to around $1 million million a year, is expected to grow and change even faster in the future through the combination of telecommunications, information networks and multimedia systems.

20. In the developing countries there is an ongoing privatization of telecommunications services with a major shift from analogue to digital systems. This is creating dynamic changes

in the scope and affordability of these services for consumers, while the industry is investing large amounts in new equipment, mostly digital, and fibre optics. This investment is expected to continue at least for the next 10 years. Currently almost all equipment is designed and built for conditions prevailing in the developed countries. There is limited design and production of telecommunications pieces and equipment, particularly for the tropical conditions prevailing in developing countries, especially those located in the equatorial belt and southern hemisphere. Moreover, almost all developing regions are investing heavily in telecommunications infrastructure and items such as cables and telephone instruments that lend themselves to local manufacture.

21. During the last two years, UNIDO organized or participated in several regional and interregional meetings on this industry, where participants from all developing regions expressed a keen interest that UNIDO undertake more activities in this sector. The proposal to organize a consultation on this sector follows from the recommendations of regional workshops on the telecommunications industry in Africa, Asia and Latin America and the Caribbean, and the interregional workshop on this industry organized by TELEBRAS, Brazil, in October 1993, which was attended by major producers from developed and developing countries.

22. The consultation will be organized in co-ordination with the International Telecommunication Union and in cooperation with telecommunications industry associations. In line with the UNIDO mandate, the focus will be on the manufacture of telecommunications equipment and software and the related investment and technology cooperation aspects.

Consultation on the medicinal and aromatic plants industry for health care in Africa

23. The Regional Consultation on the Industrial Utilization of Medicinal and Aromatic Plants in Asia and the Pacific recognized the importance of using appropriate dosages of medicinal and aromatic plants in support of the health sector (IDB.13/15, annex, table 2). It recommended a series of steps to be taken at national, regional and international levels to facilitate the systematic development of this subsector. It recommended that periodic consultations at the regional level be organized, with the next such consultation focused on Africa.

24. In Africa, most countries lack proper health-care facilities; in particular the supply of medicines is scare. Over 80 per cent of the population is dependent on plant-based traditional medicine for its primary health care. In addition, the development of the medicinal and aromatic plants subsector, by utilizing and converting locally available resources, offers opportunities for poverty alleviation, employment generation and regional development. The pharmaceutical sector in Africa is quite small, generating about one per cent of world pharmaceutical production. Its medicinal and aromatic plants subsector is also small. There is thus a major need to develop pharmaceutical formulations manufacturing activities, to make effective use of medicinal and aromatic plants, and to integrate them in the country's health-care system, in particular on primary health care. In the use of medicinal and aromatic plants, improvements in cultivation practices, processing technologies, product standardization and quality assurance would help African countries to increase production of affordable quality medicines and add value to their resources. The consultation also assumes relevance in the context of current concerns and negotiations relating to biodiversity.

25. The regional consultation for Africa is proposed to identify the potential for and use of medicinal and aromatic plants in Africa, review the constraints to development of the industry and to mobilize technical and financial cooperation to assure its sustained growth. National approaches for the development of this sector will be greatly enhanced through regional and international cooperation.

26. The consultation will coordinate its activities with the Food and Agriculture Organization of the United Nations, the World Health Organization and the International Trade Centre of UNCTAD/GATT and cooperate with regional pharmaceutical associations of producers, the representatives of which have expressed keen interest in the role of UNIDO in this subsector.

Consultation on the plastics-processing industry

27. The world plastics industry amounts to over $85 billion per year for commodity plastics and near $500 billion for plastic products manufactured by the plastics-processing industry. Past Consultations on the petrochemical industry have concentrated on the process industry producing plastics chips as raw material for the downstream plastics-processing industry. In November 1993, the Consultation on Downstream Petrochemical Industries in Developing Countries held at Teheran, Islamic Republic of Iran, made a first bridge between the bulk production and the processing parts of the petrochemical industry.

28. In 1992 the Board had already approved the regional consultation on downstream petrochemical industries in Latin America and the Caribbean to be held in the biennium 1994-1995 (IDB.9/15, paras. 34-42). Due to resource constraints and the need for adequate preparation, it is advisable to hold this as a global consultation in the 1996-1997 biennium.

29. The plastics-processing industry is characterized by scores of mostly small and medium-sized enterprises with joint working interfaces with the petrochemical industry on plastics polymers and resins as raw materials, and with the equipment manufacturing industry for plastic products. On the average, the price of plastic products is about five times that of its raw materials. The scope for regional development is substantial.

30. There are strong synergies that can be derived by coordinating activities and inputs with the proposed consultations on the construction industry and the automotive parts industry, both of which are important users of plastics products.

31. Therefore, the proposed consultation on the plastics-processing industry will focus on the use of plastics for construction, agriculture, packaging and automotive parts and on the new technologies and modalities of recycling waste plastics. It is expected that this narrowing of the focus will facilitate detailed discussions and identification of industrial cooperation opportunities at national, regional and international levels. The linkages to some other proposed consultations will be readily noted.

Consultation on the automotive parts industry

32. The automotive parts industry is a major world industry which has ushered in significant technological and quality changes in the last two decades. The automotive parts sub-industry underwent three major technology-led phases: quality manufacture of car parts and sub-assemblies based on designs and production blueprints of car assemblers and often with the latter's technical assistance; design of car parts based on broader specifications from car assemblers and increasingly with feedback to the latter on possibilities to simplify car design and/or assembly using the newly designed parts; and lastly, the development of technology to improve the design and manufacturability of car parts and sub-assemblies. It was the pioneer of new industrial organization systems such as "just-in-time" and total quality.

33. In general, the developing countries currently are in the first phase of car assembly and production of automotive parts. However, efforts by major car manufacturers to produce global car concepts and to outsource for quality car parts and sub-assemblies are creating both an opportunity and competitive pressure on producers of car parts in developing countries. In discussions and meetings with government officials, industry associations and enterprises related to the automotive sector in Asia, Latin America and Africa, it has been requested that UNIDO become more involved in this industry. Therefore, a consultation on the automotive parts industry is proposed with the aim of examining international trends in the automobile industry, possibilities of promoting subcontracting arrangements within the automotive sector, and measures for improving productivity, quality and international competitiveness of car parts and sub-assemblies along the technological learning curve. Exchange of experience and cooperation agreements among developing countries will be identified for follow-up.

B. Direct cooperation with industry

34. While the proposed consultation meetings have been discussed at some length above, it is important to note, as indicated in paragraphs 7 to 10 above, that the functions of the ICC Service are wider in scope than the System of Consultations. The other functions and some of the proposed activities are briefly enumerated below.

35. It is proposed to establish an electronic network between UNIDO and industry associations so as to disseminate and receive information quickly and intensify interaction with private industry and also to identify potential partners for cooperation for any given activity. This will enable UNIDO to promote its various activities in a greater measure in the mainstream of international industrial cooperation. To start with, the network will cover selected sectors covered by Consultations. Another result of this activity will also be the development of electronic directories of sources of cooperation in specific industrial sectors. In line with decision IDB.9/Dec.9, expert sectoral panels will be established to advise on sectoral problems, including economic and technical questions during the implementation of projects arising from Consultations. The feasibility of establishing an industrial advisory council for UNIDO is also being investigated.

36. Within the scope of direct cooperation with industry, several specific activities are being developed such as: partnerships in packaging industry; partnerships in dairy industry; partnerships among different regions of developed and developing countries; partnerships among selected municipalities particularly in relation to industrial use of garbage and product recycling; partnerships for the regeneration of selected industrial sectors of Central Asian countries; partnerships among African countries in monitoring the impact on their industry of recent global developments in international trade and finance.

C. Economic and technical cooperation among developing countries (ECDC/TCDC)

37. In addition to promoting partnership and cooperation in specific industrial sectors or thematic areas, the ECDC/TCDC programme will focus on three areas: (a) technology exports and investments between developing countries; (b) association with and assistance to cooperative activities already proposed or undertaken by regional/subregional groupings in developing countries in the field of industry and technology; and (c) support to LDCs by the more advanced developing countries.

38. Through institution-building programmes or other supportive programmes, UNIDO will give support to the developing countries in strengthening the establishment and functioning of national ECDC/TCDC focal points and facilitating the interchange of information with them. Where possible, orientation and awareness meetings will be organized and training extended to national focal points at the regional, subregional or country level in the formulation of ECDC/TCDC policies, strategies and programmes, and development of innovative approaches for promotional as well as operational activities.

III. IN-HOUSE COORDINATION

39. In order to maximize the utilization and impact of the analytical and promotional activities of ICC, the Director-General has constituted an inter-divisional working group to draw up suitable guidelines for the coordination of those activities with other units of the Organization. The working group has completed its task and submitted the guidelines to the Director-General and the Policy Management Committee for approval. Thereafter, it is expected that in-house coordination between the activities of ICC and other technical cooperation units will follow a more structured and determined path.

40. In this regard, it is of interest to mention that the first direct combination of a consultation with technology promotion is under preparation. The consultation on environmental management/cleaner technologies in the metallurgical industry to be held at Puerto Ordaz, Venezuela, in July 1995, will be combined with a Techmart. If successful, wherever suitable, this pattern will be adopted for other meetings in the future.

41. Document IDB.13/15, which describes the action taken on Consultations held in 1993, contains information on the details of in-house coordination.

IV. ACTION REQUIRED OF THE BOARD

42. The Board may wish to take note of the present report which is submitted in compliance with the decision of the General Conference. It may also wish to take note of the consultations for 1996-1997, which are intended to be presented in the proposed programme and budget for that biennium.